

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 839 - HB 1244

March 25, 2017

SUMMARY OF BILL: Requires any individual or group health benefit plan issued by any entity regulated pursuant to Title 56, in addition to any other requirement of law concerning coverage of mental health or mental illness benefits or alcoholism or drug dependency benefits, including, but not limited to, Tenn. Code Ann. § 56-7-2601 and § 56-7-2602, to provide coverage for mental health or alcoholism or drug dependency services as required by this section. Declares that nothing in this section shall be construed as a mandate that exceeds the essential health benefits requirements of 42 U.S.C § 18022(b).

Declares that the mandate to provide coverage for mental health services shall not apply with respect to a group health plan if the application of the mandate to the plan results in an increase in the cost under the plan of more than one percent.

Requires the Department of Commerce and Insurance (DCI) to implement and enforce applicable provisions of the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, Pub. L. No. 110-343, this section, Tenn. Code Ann. § 56-7-2601, and Tenn. Code Ann. § 56-7-2602,

Requires the DCI, not later than June 1 of each year, to issue a report to the General Assembly and provide an educational presentation to the General Assembly

Requires every health insurance carrier that issues a health benefit plan under the jurisdiction of the DCI, on or before March 1, to submit an annual report to the DCI. Prohibits the Commissioner of DCI from certifying any health benefit plan of a health insurance carrier that fails to submit all required data. Requires a certification signed by the health insurance carrier's chief executive officer and chief medical officer that affirms that the health insurance carrier has completed a comprehensive review of its administrative practices for the prior calendar year for compliance with the necessary provisions of this section, Tenn. Code Ann. § 56-7-2601, § 56-7-2602, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (Pub. L. No. 110-343).

Requires every managed care organization (MCO) participating in the TennCare program to submit an annual report to the Bureau of TennCare (Bureau) on or before March 1 of each year containing certain information on enrollees in the TennCare program. Requires the Bureau to monitor MCO claims denials for mental health or alcoholism or drug dependency benefits on the grounds of medical necessity within each classification of benefits among inpatient benefits, outpatient benefits, prescription drugs, and emergency care and to study and compare denial rates among each MCO and request additional data if significant discrepancies in denial rates are found.

The proposed legislation will take effect and apply to policies and contracts entered into or renewed on and after January 1, 2018.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$116,800/FY17-18
\$214,300/FY18-19 and Subsequent Years**

Assumptions:

- Based on information provided by the DCI, the provisions of the proposed legislation cannot be accommodated within existing resources.
- The DCI will need three additional Actuarial and Compliance Analyst 2 positions to monitor activities of all health insurers operating in the state and to review the annual reports required in the proposed legislation.
- The one-time increase in state expenditures associated with the additional positions is estimated to be \$9,600 (\$3,600 computer cost + \$6,000 office furniture).
- The recurring increase in state expenditures is estimated to be \$214,300 (\$147,200 salary + \$45,200 + \$18,300 administrative cost + \$1,800 network cost + \$1,800 supplies).
- Due to the effective date of this legislation of January 1, 2018, the total increase in state expenditures is estimated to be \$116,750 [$\$9,600 + (\$214,300 \times 50.0\%)$] in FY17-18 and \$214,300 in FY18-19 and subsequent years.
- Based on information provided by the Department of Finance and Administration, Division of Health Care Finance and Administration, the TennCare managed care organizations can provide the required report within existing resources.
- Based on information provided by the Department of Finance and Administration, Division of Benefits Administration (Benefits Administration), Benefits Administration is currently in compliance with the proposed legislation; therefore, any fiscal impact is estimated to be not significant.
- Based on information provided by the Department of Mental Health and Substance Abuse Services, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE:

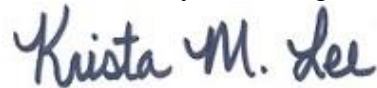
Other Commerce Impact – Due to multiple unknown factors, the exact impact to commerce cannot be determined. It is assumed that a group health plan will not elect to provide coverage if the application of the mandate to the plan will result in a more than one percent increase in cost. However, any increase in business revenue is anticipated to exceed any increase in business expenditures.

Assumptions:

- Health care providers that provide mental health or alcoholism or drug dependency services will incur an increase in revenue to cover the cost of the increased coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce cannot be determined due to unknown factors but the increase in business revenue is reasonably estimated to exceed the amount of increased business expenditures resulting from the proposed legislation.
- Declares that the mandate to provide coverage for mental health services will not apply with respect to a group health plan if the application of the mandate to the plan results in an increase in the cost under the plan of more than one percent.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenues collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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